

>>> "JORGE, JUAN CIV DFAS" <JUAN.JORGE@DFAS.MIL> 6/15/2010 10:25 AM >>>
Dear Mr. Savini:

Please find attached DFAS FMCoE Shared Services' consolidated response to the below referenced request for comments.

Best regards,

Juan Jorge
Strategic Business Management
Financial Management Center Of Excellence
Integration and Requirement Management Branch

Questions for Respondents

Exposure Draft: Proposed Statement of Federal Financial Accounting Standards entitled, *Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment*.

Responses are requested by June 25, 2010

Q1. The Board proposes adding “repairs” to the title and body of the revised definition in order to clarify that deferred “repairs” as well as deferred “maintenance” need to be reported.

Do you agree or disagree that the maintenance definition (title and body) should be changed to explicitly include “repairs” (refer to paragraphs A8 – A27 for a detailed discussion and related explanations)? Please provide the rationale for your answer.

Agree that the maintenance definition should be changed to include the word “repairs” in the title and body. The word “repairs” helps to clarify and distinguish the existence of the two types of repairs that are discussed throughout the text referenced throughout paragraphs A8 – A27: deferred repairs and deferred maintenance.

Q2. The second sentence of the existing standard provides (1) an illustrative list of activities which are not meant to be all inclusive and (2) the terms “acceptable services” and “expected life.” First, the Board proposes that the list of activities contained in the second sentence of the existing definition be updated to better reflect current federal and industry practices as well as encompass maintenance and repair (M&R) activities related to equipment and other personal property in addition to buildings, building components, or service systems. Second, the Board believes that the terms “acceptable services” and “expected life” should be eliminated from the definition. The second sentence would read as follows:

“Activities include preventive maintenance, replacement of parts, systems, or components, and other activities needed to preserve or maintain the asset.”¹

a. Do you agree or disagree with each change to the list of activities (refer to paragraph A16 through A17 for a list of changes and related

¹ Note: The current SFFAS 6 language states in part that maintenance is “...needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life.”

explanations)? Please provide the rationale for your answer to each change.

Agree with the change to the second sentence. The removal of the word “normal repairs” helps shorten the sentence to make it more concise and helps to eliminate ambiguity.

- b. Do you agree or disagree with the elimination of the phrase “so that it continues to provide acceptable services and achieves its expected life” (refer to paragraphs A18, A19, and A27 for detailed discussions and related explanations)? Please provide the rationale for your answer to each reference/phrase.

Agree with the elimination of the final words of the last sentence. Removal of the words does not take away from the intent of the sentence and makes it more concise.

Q3. The Board proposes changing the last sentence of the definition to exclude the reference to needs “originally intended” to be met by the asset. Instead, “*activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use*” is proposed (underscoring added for emphasis).

As such, the proposed revised last sentence would read as follows:

“Maintenance and repairs exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.”

Do you agree or disagree with the aforementioned change (refer to paragraph A20 for a detailed discussion and related explanation)? Please provide the rationale for your answer.

Agree with the revision of the wording of the last sentence. The revised wording clarifies the definition by removing the ambiguity that can be caused by the phrasing of “original intent”. The original intent can be a mute point if the asset’s capacity has been significantly modified its current use. Such a modification can result in a significant increase in the expected usefulness / benefit from the asset.

Q4. The Board is not proposing a change at this time but rather, is seeking input on the impact that agency capitalization thresholds might have in the reporting of deferred maintenance and repairs. Because PP&E is subject to various capitalization thresholds and actual maintenance requirements are not, some believe it is more appropriate to report deferred maintenance and repairs (DM&R) in the broader context of fixed assets rather than only for capitalized PP&E.

Do you believe Deferred Maintenance and Repair (DM&R) reporting should be limited to DM&R related to capitalized PP&E or directed broadly to fixed assets? Please provide the rationale for your answer. Refer to paragraph A21(c) and A24 for a detailed discussion and related explanation.

The Deferred Maintenance and Repair reporting should be more directed broadly toward fixed assets. Due to the uncertainty of Maintenance and Repair activities not recognized because of capitalization thresholds, a broad context should assist. Also, with the differences in logic for considering reporting D M & R on capitalized versus non capitalized assets among agencies, a more broad rationale should be utilized.

Q5. The Board encourages respondents to not only provide input concerning any and all aspects of the proposed changes thus far discussed, but also other changes, points, issues and/or considerations which may not have been specifically addressed in this exposure draft. In addition, the basis for conclusions explains the Board's goals for this project (see comments beginning at par.A8) and also discusses other issues raised by task force members (as an example, see paragraphs A11 through A13).

Please provide any comments or suggestions you have regarding the goals for this project, other issues identified in the basis for conclusions, or areas which have not been addressed.

This project is beneficial in the fact that it addresses wording documentation in the most beneficial manner to allow optimal decisions to be made by the users.